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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 001124

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SUBJECT: NEW DPJ PRESIDENT HATOYAMA KEEPS OZAWA IN KEY ROLE

Classified By: CDA James P. Zumwalt, reasons 1.4(b),(d).

¶1. (C) Summary: Yukio Hatoyama's election as party President over Katsuya Okada on May 16 and his appointment of outgoing President Ichiro Ozawa to a senior position signals a continuation in the status quo for the opposition DPJ, according to Embassy contacts, and should result in few changes in policy or internal party management. Hatoyama was quick to include Okada in the new party management structure in an attempt to keep anti-Ozawa forces within the party in check, and may seek to exploit Okada's broader popularity among the public in the run-up to the next Lower House election. The DPJ has enjoyed a slight bump in public support, according to media polls, but ruling coalition members tell the Embassy they believe Hatoyama will be easier to attack than Okada. End Summary.

¶2. (C) Yukio Hatoyama was elected President of the opposition Democratic Party of Japan (DPJ) on May 16 by a vote of 124 to ¶95. Speaking to the press shortly after his victory, he announced his intention to appoint his opponent, Katsuya Okada, to succeed him as Secretary General. Acknowledging Okada's strong support within the party, Hatoyama said he hoped Okada's appointment would help maintain party unity. In a more controversial move, Hatoyama also indicated plans to appoint outgoing party President Ichiro Ozawa to the newly created position of Acting President for Election Strategy, a position that out-ranks the Secretary General. Rounding out his new leadership slate, Hatoyama said he would retain Acting Presidents Naoto Kan and Azuma Koshiishi in their current positions, raising the number of senior party executives from four to five.

¶3. (C) Okada's appointment was "essential" to uniting the party, a media contact told the Embassy May 18, and may help to attract unaffiliated voters to the party. Hatoyama's decision to leave the basic leadership structure intact, however, will disappoint those who saw the party presidential election as a chance to clean house and erase any negative stigma from Ozawa's three-year reign. Hatoyama was quick to justify the move by noting that Ozawa "has won one election after another" for the DPJ and would "continue assuming the role in overseeing elections." Reflecting the general mood that not much has changed, the press is already utilizing the term "troika plus one" to refer to Hatoyama's management team, building on the term popularized under Ozawa's

leadership when he was seen to rule the party in cooperation with Hatoyama and Kan.

14. (C) An early task for Hatoyama will be to overcome the popular perception that he is Ozawa's "puppet" and demonstrate that he is actually running the show at DPJ headquarters. He will also need to convince the members of his own party that he can be as effective as his predecessor in maintaining a certain sense of cohesion to the DPJ as it seeks to take power in the next Lower House election. The unanswered question is whether he can harness the anti-Ozawa forces that supported the younger Okada. Many are reportedly angry that the presidential election was held so quickly, leaving no time for public debate and robbing the party of an opportunity to capitalize on Okada's wider support among the general public. Some consulate contacts at the local DPJ chapters have already registered their dissatisfaction that the party rank and file were excluded from the election. Nevertheless, Hatoyama is regarded by many Embassy contacts as a better choice than Okada for taking on Ozawa's role of holding together the disparate policy groups within the party.

15. (C) Leaders of the People's New Party and Social Democratic Party were supportive of Hatoyama in statements after his election, but noted the disconnect between Ozawa's resignation and his reappointment to a senior post. The media has generally characterized Okada as less flexible in dealing with the DPJ's loose coalition partners in the opposition, one reason that Hatoyama was seen as a better

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choice for the leader's position at this stage.

16. (C) Hatoyama's election "could not be helped if the DPJ wants to win the election," a media contact told the Embassy May 18. Like most of our contacts, he thought the leadership change would improve the party's electoral prospects. Replacing the scandal-tainted Ozawa was already expected to give the DPJ at least a temporary boost in popularity, and initial media polls support that thesis. In polls conducted by all of the major media outlets on May 17, respondents selected Hatoyama over PM Aso as "more appropriate" to serve as Prime Minister by as many as 13 points, and the DPJ over the LDP as the party they would vote for in the next Lower House election by as much as 13 percent. Both are a clear reversal of the trends since the first week of March. Fewer than 50 percent of respondents to any of the polls indicated they had any real expectations for Hatoyama's leadership, however, a point that several Embassy contacts thought was particularly important in assessing the real impact of the change.

17. (C) Regardless of the short-term impact, Hatoyama's election over Okada is seen by members of the ruling Liberal Democratic Party as an advantage. Not only can they attack Hatoyama on his past support for Ozawa, LDP insiders say, but they can continue to attack Ozawa himself for his continuing influence over the party in his new role. Okada, with his image as a "clean" politician, would have presented a more difficult target. He also would have been more popular with the public.

18. (C) Hatoyama, 62, is a seven-term Lower House member representing Hokkaido's ninth district. First elected in 1986 on the LDP ticket, he joined a group of ruling party members who left to form New party Sakigake in 1993, before establishing the precursor of the DPJ with Naoto Kan in 1996. He was elected President of the newly reorganized party in 1999 and served for three years, before stepping down to take responsibility for the "confusion" surrounding the eventual merger of the DPJ with Ozawa's Liberal Party in 1993. Hatoyama is a fourth-generation politician and the grandson of former Prime Minister Ichiro Hatoyama, a data point that conflicts with his party's campaign promise to end dynastic politics. He is married to a former actress and has one son.

He studied at Stanford University and speaks some English. Hatoyama has said little about policy in his role as Ozawa's lieutenant over the past three years. Although considered a conservative on security issues, especially in comparison to Okada, Hatoyama has generally maintained the party line that Japan is overly dependant on the United States and needs to build a more equal partnership.

ZUMWALT